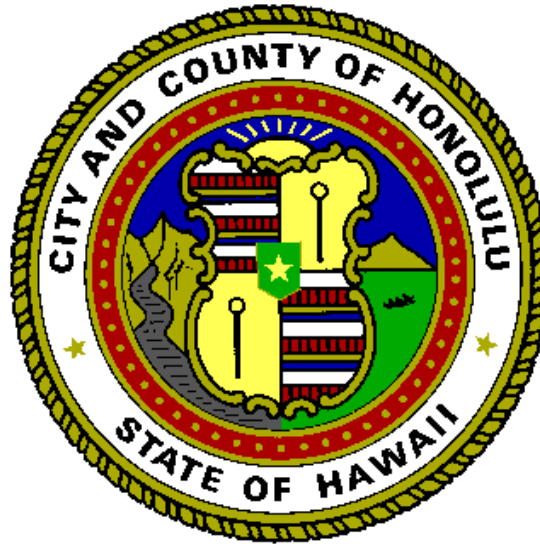
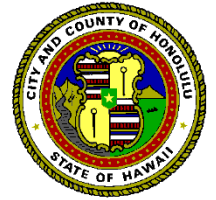


# ***2019 Oahu Real Property Tax Advisory Commission Overview***



**July 2019**



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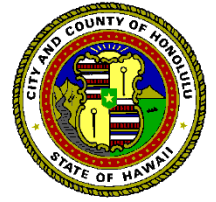
# ***Revised Ordinances of Honolulu (ROH)***

## ***Chapter 8***

- ❖ **Legislative Intent** - The purpose of this chapter is to implement the authority granted to the City and County of Honolulu to assess, impose and collect real property taxes based on an amendment to the Constitution of the State of Hawaii which was adopted on November 7, 1978, by the electorate. <sup>(1)</sup>
- ❖ The **Real Property Assessment Division** assesses all taxable real property within the City and County of Honolulu.
- ❖ The **Treasury Division** bills and collects the real property tax along with other fees.

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<sup>(1)</sup> ROH Sec. 8-1.1



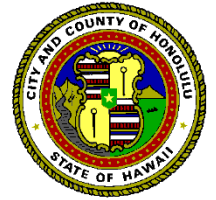
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## ***Real Property Taxes Vital to City Operations***

- ❖ Primary source of general fund revenue
- ❖ Integral to City's general obligation bond rating
- ❖ For tax year 2019-2020, assessed values were adjusted for exemptions and dedications that
  - ❖ reduced assessed values by \$31 billion; and
  - ❖ decreased real property tax revenue by approximately \$151 million
- ❖ For tax year 2019-2020, taxes were credited to 3,089 applicants that totaled approximately \$4.8 million <sup>(1)</sup>
- ❖ Exceptions (exemptions, dedications and tax credits) to the mass appraisal process require substantial resources to administer

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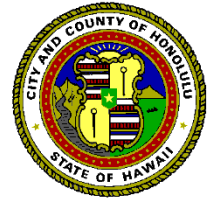
<sup>(1)</sup> ROH Sec. 8-13 – County Tax Credit



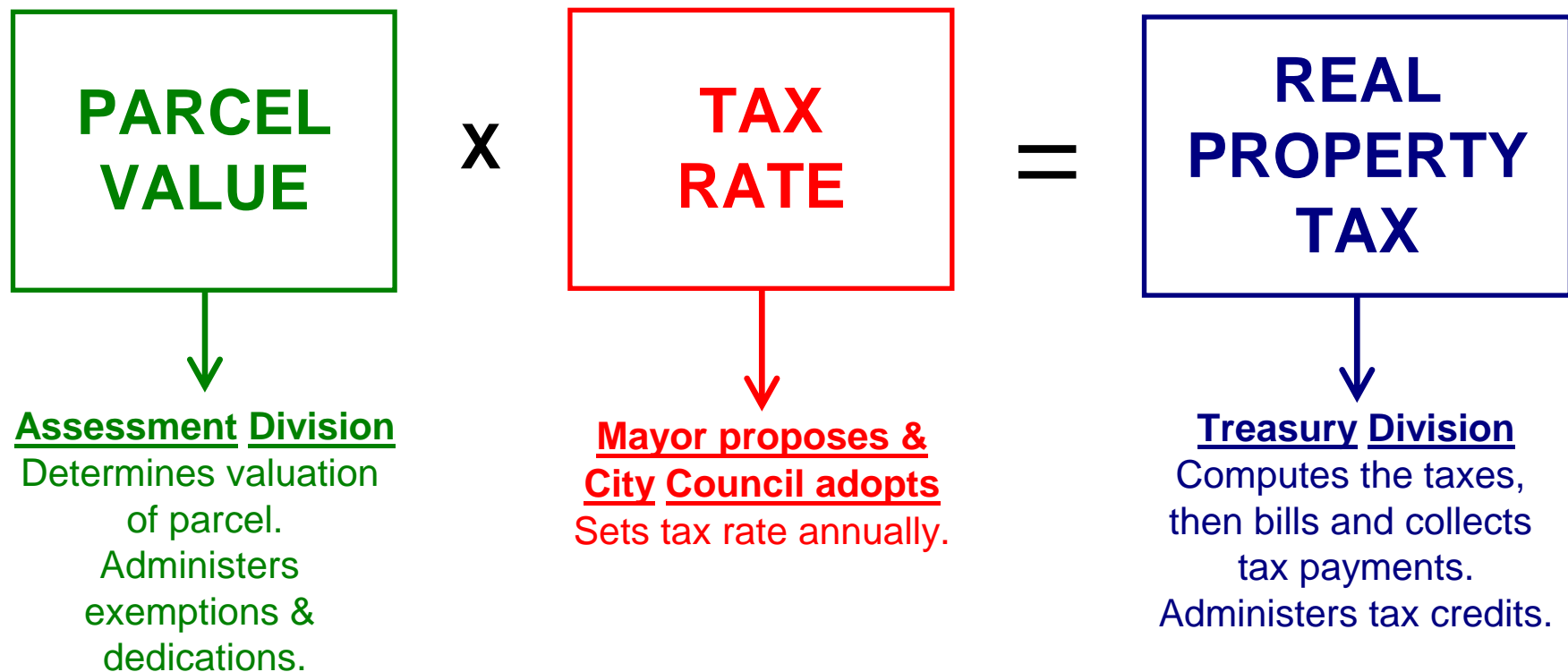
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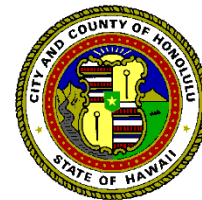
## ***Real property tax revenue integral to City's general obligation bond ratings***

- ❖ City has the power and is obligated to levy ad valorem taxes, without limitation as to rate or amount, on all real property subject to taxation by the City for the payment of general obligation bond principal and interest
- ❖ City's general obligation bonds has the second highest rating
  - ❖ Aa1 by Moody's
  - ❖ AA+ by Fitch
- ❖ Positive rating factors
  - ❖ Ability to adjust rates
  - ❖ Low concentration risk
  - ❖ Stable valuations due to tight housing supply
  - ❖ Low delinquencies



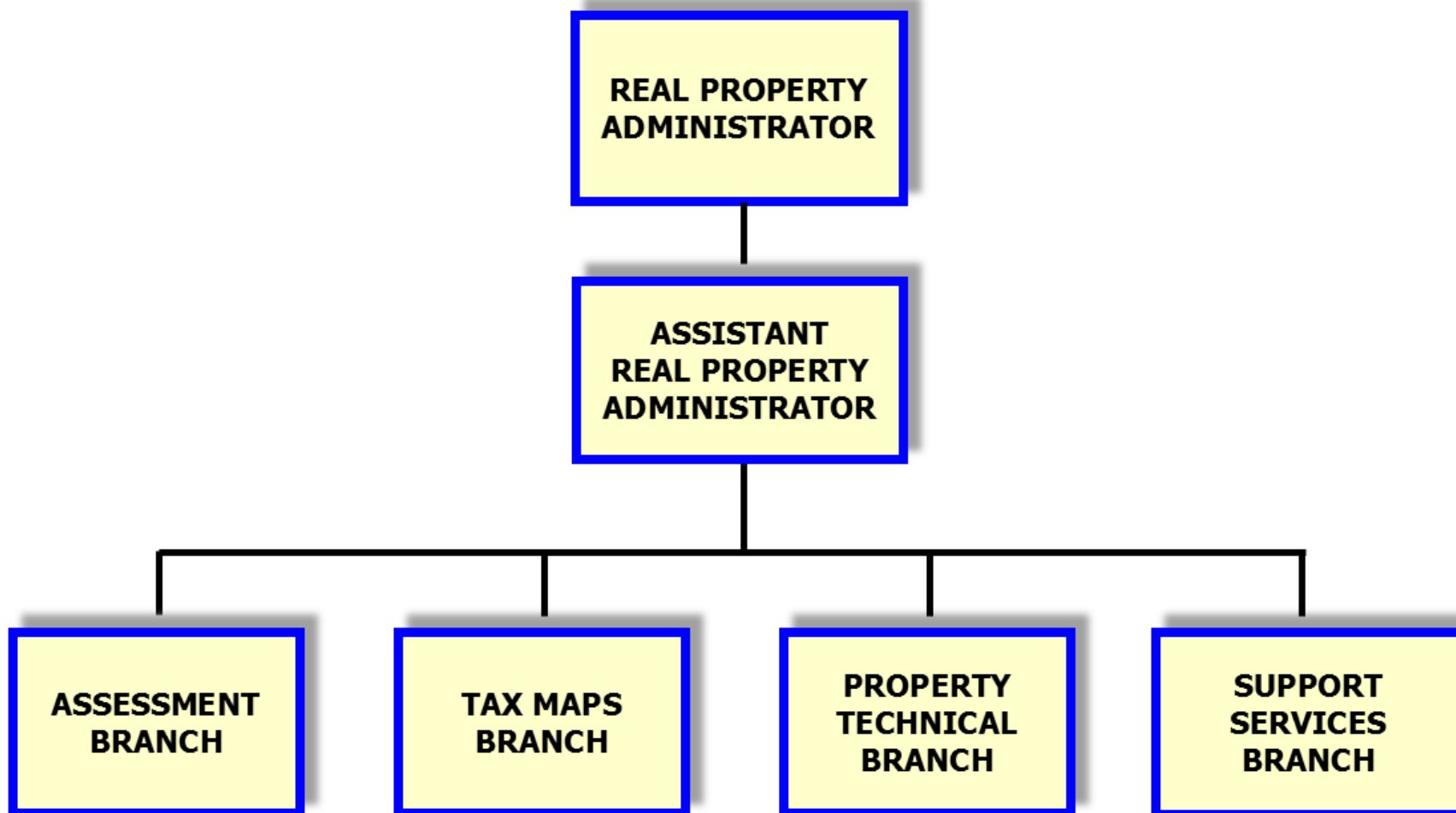
# ***Distribution of Real Property Tax Responsibilities***

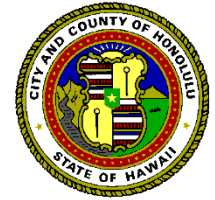




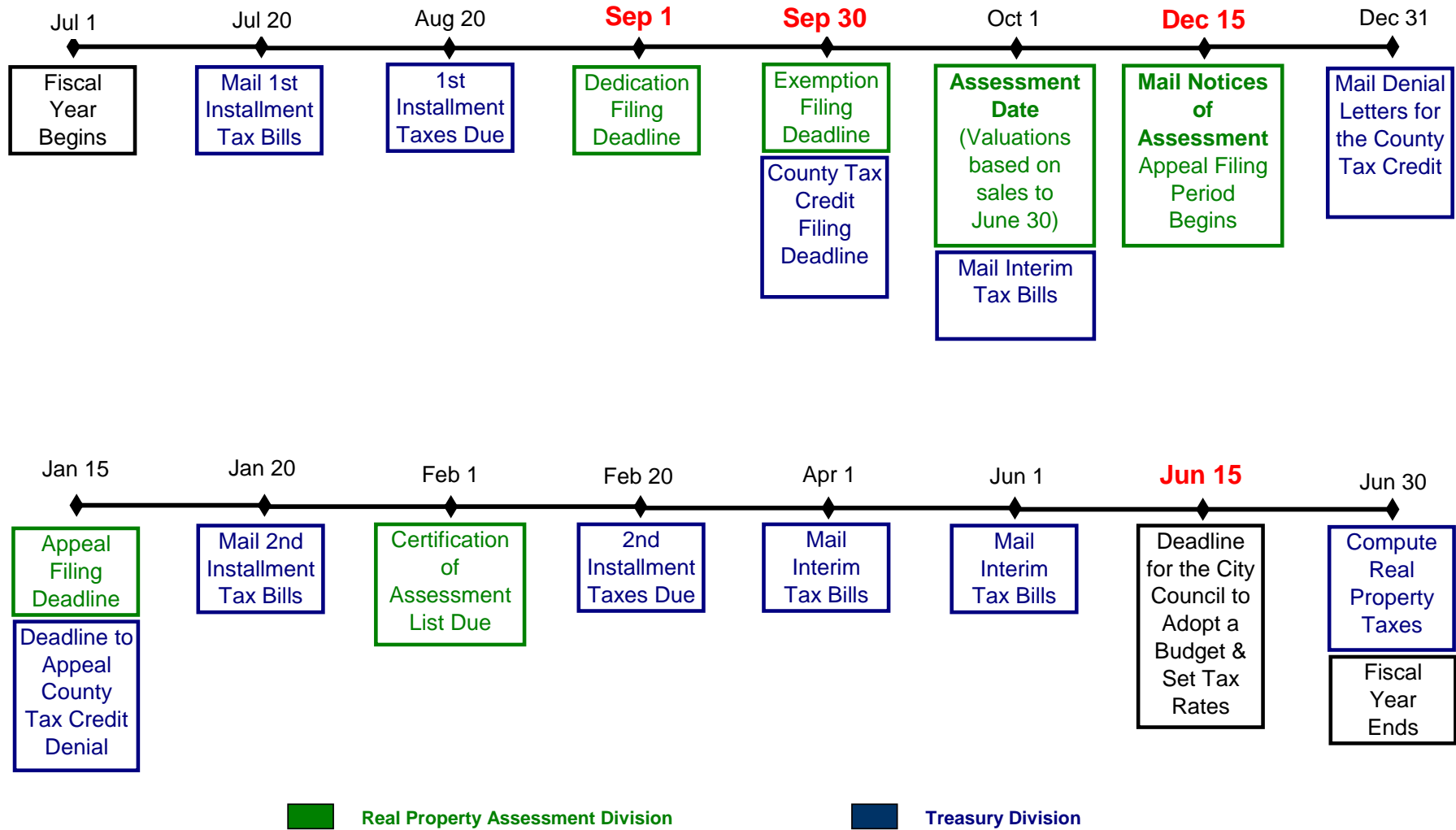
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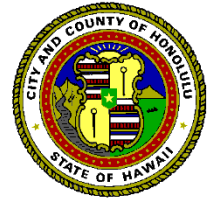
# ***Real Property Assessment Division***





# Real Property Tax Timeline



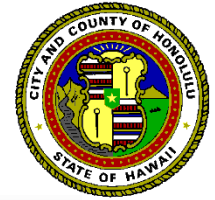


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***Real Property Assessment Division  
offers two websites with  
useful information and services to the public***

- ❖ [www.honolulupropertytax.com](http://www.honolulupropertytax.com) provides access to view real property tax records of individual parcels.
- ❖ [www.realpropertyhonolulu.com](http://www.realpropertyhonolulu.com) is a secure site that offers online services and real property tax information.
  - ❖ Current and historical state wide real property tax data can be found in “REPORTS” tab
  - ❖ Important dates, applicable City ordinances, and frequently asked questions can be found on this website.





## Parcel Information

Parcel Number 980250300000  
Location Address KIHAE ST  
Project Name  
Legal Information LOT 58 AIEALANI TRACT  
Property Class RESIDENTIAL  
Land Area (approximate sq ft) 4,257  
Land Area (acres) 0.0977

Plat Map PDF

GIS Parcel Map

## Owner Information

Owner Names  
CITY AND COUNTY OF HONOLULU Fee Owner

## Assessment Information

[Show Historical Assessments](#)

Columns

Assessment Year	Property Class	Assessed Land Value	Dedicated Use Value	Land Exemption	Net Taxable Land Value	Assessed Building Value	Building Exemption	Net Taxable Building Value	Total Property Assessed Value	Total Property Exemption	Total Net Taxable Value
2019	RESIDENTIAL	\$100	\$0	\$100	\$0	\$0	\$0	\$0	\$100	\$100	\$0

2019 amended values not to be posted until new tax rates are processed on or after July 20.

[How to calculate real property taxes](#)

## Land Information

Columns

Property Class	Square Footage	Acreage	Agricultural Use Indicator
RESIDENTIAL	4,257	0.0977	

Department of Planning and Permitting (DPP)

## Information



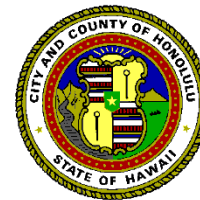
City and County of Honolulu  
Real Property Assessment  
Division



Downtown Office  
842 Bethel Street, Basement  
Honolulu, HI 96813  
(808) 768-3799



Kapolei Office  
1000 Uluohia Street, #206  
Kapolei, HI 96707  
(808) 768-3799



# [www.realpropertyhonolulu.com](http://www.realpropertyhonolulu.com)



City and County of  
**HONOLULU**

DEPARTMENT OF BUDGET AND FISCAL SERVICES  
**REAL PROPERTY ASSESSMENT DIVISION**

[VISIT HONOLULU.GOV](http://VISIT HONOLULU.GOV)

[LOGIN OR SIGN UP](#)

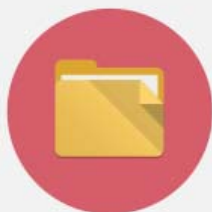
[FORMS](#) [APPEALS](#) [EXEMPTIONS](#) [DEDICATIONS](#) [REPORTS](#) [HELP & RESOURCES](#) [WHAT'S NEW](#)

## What can we help you with?



### FILE A HOMEOWNERS EXEMPTION

First time filing? Start here to file online the easy way!



### FILE AN APPEAL

Use your unique ID on your assessment notice to file an appeal online.



### RECEIVE ASSESSMENT NOTICES BY EMAIL

Have your assessment notices sent directly to your inbox.



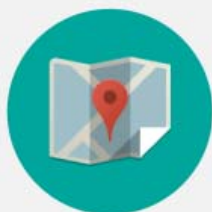
### PROPERTY RECORDS SEARCH

Search for a property by address, parcel ID (TMK), or map.



### PAY TAXES

Pay your real property tax online or by telephone with a credit/debit card.



### CHANGE MAILING ADDRESS

Moving? Update your current mailing address.



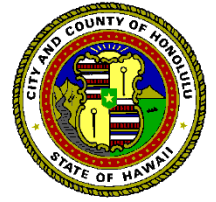
### REMOVE AN EXEMPTION

Remove an exemption from your property.



### CHANGE C/O ADDRESS

Update the "care of" address or location for a property.

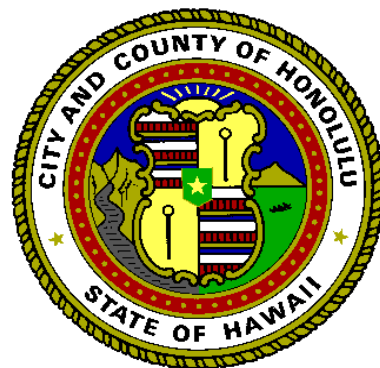


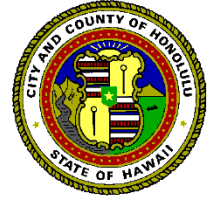
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## ***Resolution 11-143, FD1***

- ❖ Establishes the Oahu Real Property Tax Advisory Commission
- ❖ Purpose: to advise and assist the City Council by conducting a bi-annual review of the City's real property tax system
- ❖ Objective: a systematic review of the City's real property tax system's classes, exemptions, credits and minimum property tax, using such standards as equity and efficiency

# Valuations





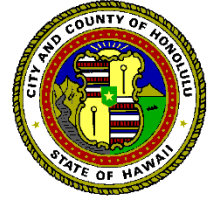
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## ***Real Property Assessment's major real property tax responsibilities***

- ❖ Professional valuation and classification of all taxable real property within the City following IAAO <sup>(1)</sup> standards
- ❖ Administer exemptions, dedications and appeals
- ❖ Maintain ownership records and addresses
- ❖ Update tax maps and assign tax map keys

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<sup>(1)</sup> International Association of Assessment Officers

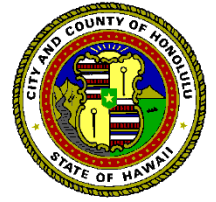


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# ***Valuations***

## **ROH Sec. 8-7.1**

- (a) The director of budget and fiscal services shall cause the fair market value of all taxable real property to be determined and annually assessed by the market data and cost approaches to value using appropriate systematic methods suitable for mass valuation of real property for ad valorem taxation purposes, so selected and applied to obtain, as far as possible, uniform and equalized assessments throughout the county.



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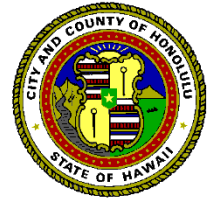
# ***Valuations***

## ***(ROH Chapter 8, Article 7)***

- ❖ Considerations in determining valuations
  - ❖ Fair market value
  - ❖ Market data and cost approaches
  
- ❖ Classifications
  - ❖ Highest and best use
  - ❖ Classification / FY20 tax rate per \$1,000 net taxable<sup>(1)</sup>
    - ❖ Residential / \$3.50
    - ❖ Hotel and resort / \$13.90
    - ❖ Commercial / \$12.40
    - ❖ Industrial / \$12.40
    - ❖ Residential A / T1: \$4.50 T2: \$10.50
    - ❖ Agricultural / \$5.70
    - ❖ Preservation / \$5.70
    - ❖ Public service / \$0.00
    - ❖ Vacant Agricultural / \$8.50

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<sup>(1)</sup> City and County of Honolulu, Resolution 19-55



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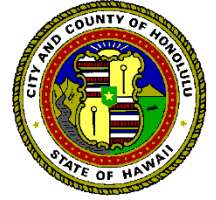
# ***Mass Appraisal***

- ❖ Definition
  - ❖ Systematic appraisal of groups of properties as of a given date using standardized procedures and statistical testing<sup>(1)</sup>
- ❖ Purpose
  - ❖ Equitable and efficient appraisal of all property in a jurisdiction for ad valorem tax purposes<sup>(1)</sup>
- ❖ Mass appraisal requires the use of valuation tables, schedules and models
- ❖ Mass appraisal systems
  - ❖ Must be cost effective and efficient
  - ❖ Result in annual assessments that are uniform and equalized throughout the county

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<sup>(1)</sup> Mass Appraisal of Real Property, 1<sup>st</sup> edition, 1999, pg.23

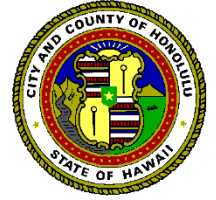




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## ***Cost Approach***

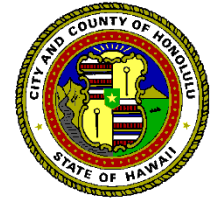
The **cost approach** is a method of deriving the value of real property by estimating the land value and adding the replacement cost new of the improvements less all forms of depreciation. The cost approach assumes that a rational, informed buyer would not pay more for a property than the cost of constructing an acceptable substitute with similar utility.



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## ***Market Data Approach***

The **market data approach** is a method of deriving the value of real property by comparing sales of comparable properties to the subject property. The sale prices of the comparable sales are adjusted for differences between the subject and comparable properties. The market data approach assumes that the market price is set by the price of available substitutes.

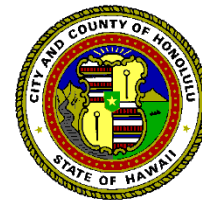


# Real Property Tax Valuation

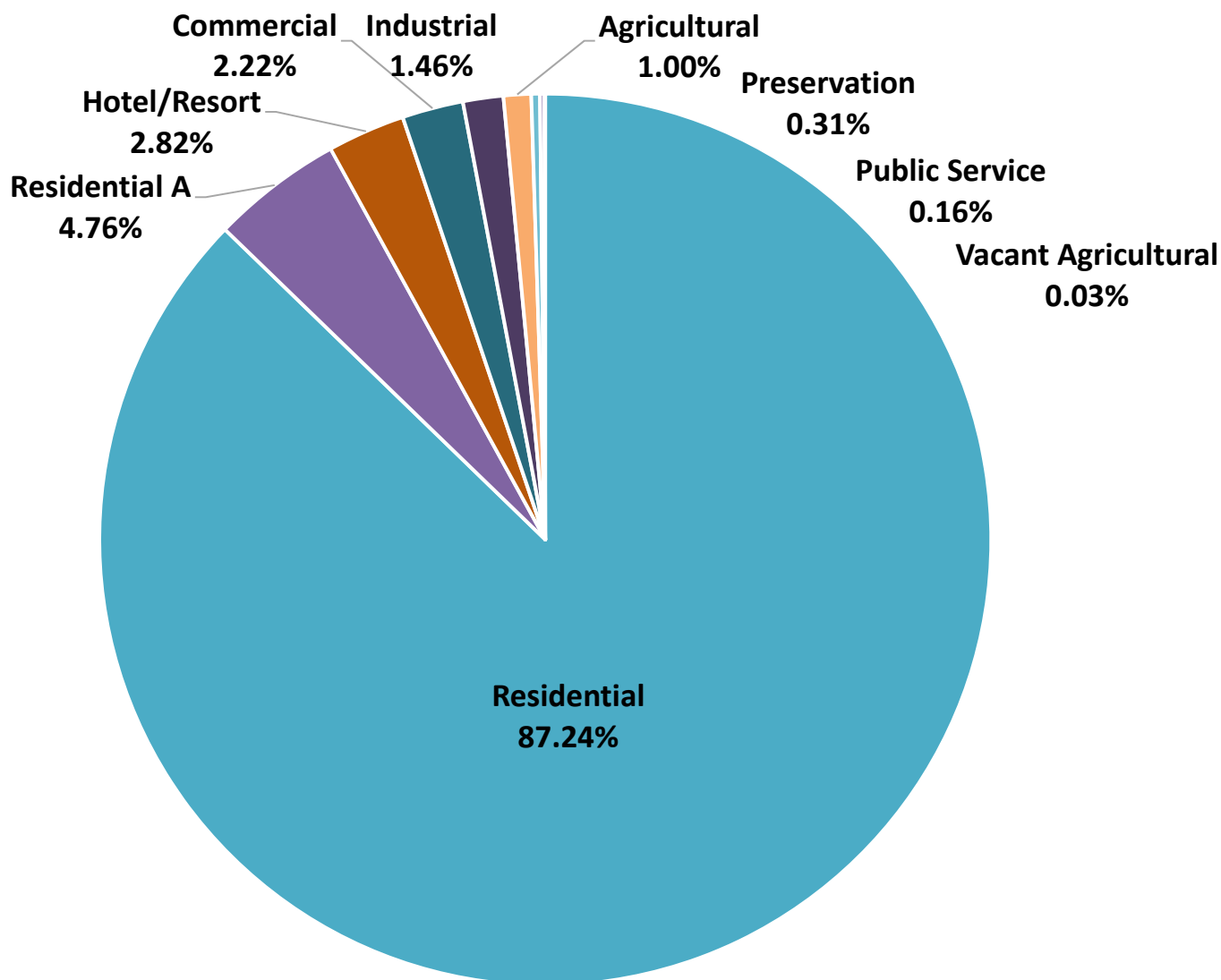
## FY 2019 - 2020

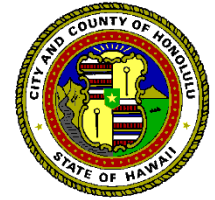
(\$ In Thousands of Dollars – except tax rates)

Land Use Class	# of Records	Gross Valuation	Total Exemptions	Net Valuation	50% Of Appeal Value	Number Of Appeals	Valuation For Tax Rate	Tax Rate Per \$1,000 Value	Amount Raised by Taxation
Residential	256,737	\$191,774,051	\$24,481,901	\$167,292,150	\$229,742	544	\$167,062,408	\$3.50	\$584,718
Commercial	6,527	\$25,863,196	\$3,512,170	\$22,351,027	\$630,434	280	\$21,720,592	\$12.40	\$269,335
Industrial	4,298	\$13,224,110	\$1,015,030	\$12,229,080	\$525,610	433	\$11,703,470	\$12.40	\$145,123
Agricultural	2,938	\$1,319,767	\$121,399	\$1,198,368	\$17,921	39	\$1,180,447	\$5.70	\$6,729
Vacant Agricultural	91	\$46,152	\$0	\$46,152	\$0	0	\$46,152	\$8.50	\$392
Preservation	925	\$613,714	\$61,619	\$552,095	\$4,933	4	\$547,162	\$5.70	\$3,119
Hotel/Resort	8,288	\$17,511,225	\$86,979	\$17,424,246	\$379,949	130	\$17,044,297	\$13.90	\$236,916
Public Service	464	\$1,084,391	\$1,077,383	\$7,008	\$0	1	\$7,008	\$0.00	\$0
Residential A	14,019	\$23,920,946	\$923,005	\$22,997,941	\$53,054	213	\$22,944,887	T1: \$4.50 T2: \$10.50	\$159,421
<b>TOTAL</b>	<b>294,287</b>	<b>\$275,377,552</b>	<b>\$31,279,485</b>	<b>\$244,098,066</b>	<b>\$1,841,643</b>	<b>1,644</b>	<b>\$242,246,423</b>		<b>\$1,405,753</b>

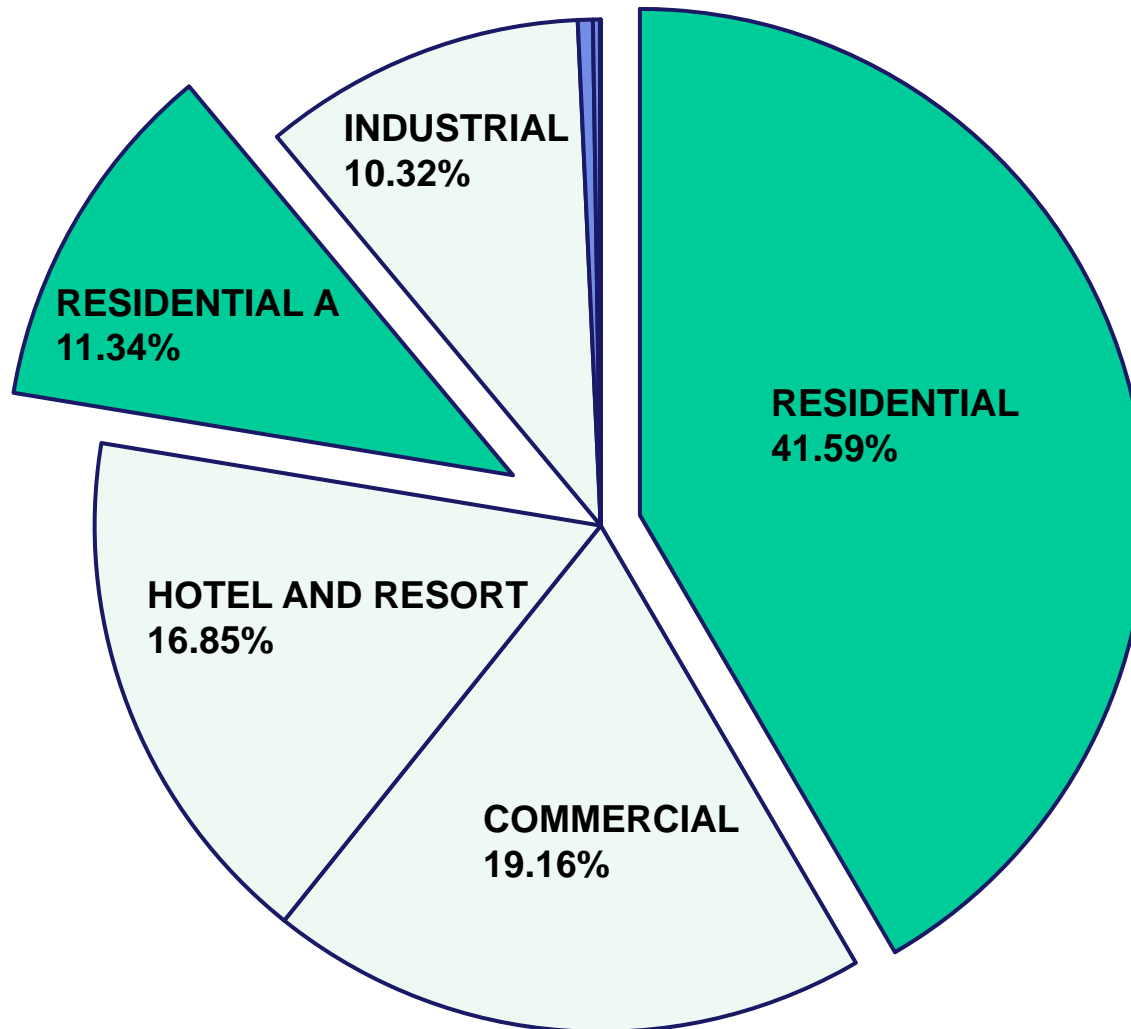


## ***Percent Net Valuation by Class (FY20)***





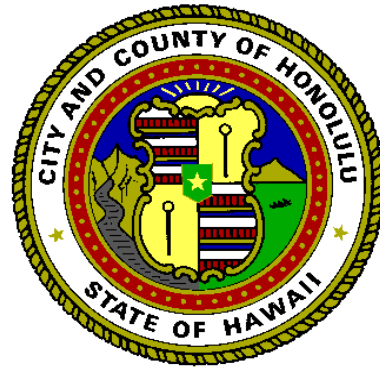
## Percent Taxes Raised by Class (FY20)

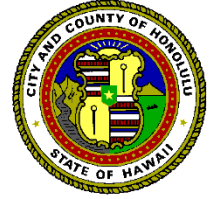


GROUP OF CLASSES	ACTUAL % TAXES RAISED	GOAL
RESIDENTIAL	52.93%	55%
NON-RESIDENTIAL	46.33%	45%
EXCLUSIONS	.73%	

Resolution 07-060, CD1- Policy that real property tax rates be set to achieve the following goals:  
55% taxes raised from RESIDENTIAL group (residential and residential A)  
45% taxes raised from NON-RESIDENTIAL group (commercial, hotel and resort, and industrial)  
Exclusions (agricultural, vacant agricultural, preservation and public service)

# Exemptions and Dedications

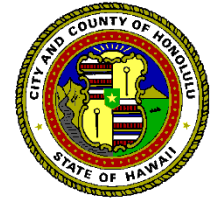




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## ***Exemptions Differ to Dedications***

- ❖ Exemptions (ROH Chapter 8, Article 10)
  - ❖ Reduces the valuation on which taxes are computed
    - ❖ Decreases the real property tax base
    - ❖ Lessens the real property tax liability for the taxpayer
  - ❖ Property must meet certain conditions for the tax year only
  - ❖ Exemptions are either a predetermined dollar amount or a percentage of gross valuation
  - ❖ Currently, there are 26 exemptions
- ❖ Dedications (ROH Chapter 8, Articles 7 & 10)
  - ❖ Property owner commits to certain conditions for a stated period of time in return for reduced taxes
  - ❖ May change class or gross valuation, or
  - ❖ May be applied as an exemption to the portion that qualifies



# Tax Benefit Provided by Exemptions

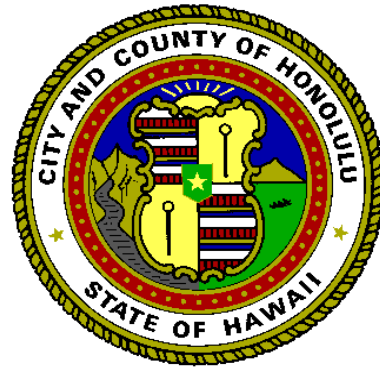
## FY 2019 – 2020

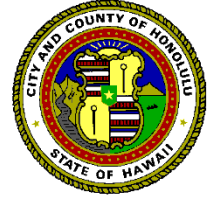
( \$ In Thousands of Dollars )

ROH Section	Type of Exemption	Count	Total Exempted Valuation	Tax Benefit
<b>Taxable:</b>				
8-10.4	Homes	146,441	\$14,554,855	\$51,112
8.10.4	In-lieu of home exemption	205	\$41,000	\$144
8.10.6	Homes of totally disabled veterans	1,500	\$1,199,162	\$4,198
8-10.7	Persons affected with leprosy	3	\$75	\$0
8-10.8	Persons with impaired sight	212	\$5,300	\$19
8-10.8	Persons with impaired hearing	84	\$2,100	\$8
8-10.8	Persons totally disabled	1,769	\$44,213	\$156
8-10.10	Charitable purposes (cemeteries)	42	\$46,726	\$250
8-10.10	Charitable purposes (church)	868	\$2,496,351	\$16,235
8-10.10	Charitable purposes (hospital and nursing homes)	90	\$1,191,250	\$14,008
8-10.10	Charitable purposes (group child care centers)	7	\$29,493	\$215
8-10.10	Charitable purposes (non-profit corporations)	811	\$2,664,521	\$22,085
8-10.10	Charitable purposes (schools)	132	\$1,300,182	\$6,467
8-10.12	Crop shelters	18	\$2,210	\$13
8-10.13	Dedication (dedicated lands in urban districts)	5	\$14,867	\$55
8-10.15	Alternate energy improvements	6	\$348,681	\$4,324
8-10.20	Low-income rental housing	195	\$2,773,306	\$14,040
8-10.22	Historic residential real property dedicated for preservation	349	\$625,574	\$4,108
8-10.23	Hawaiian home land lease	3,831	\$2,351,691	\$8,253
8-10.24	Credit union	77	\$253,781	\$3,144
8-10.25	Slaughterhouses	1	\$2,579	\$15
8-10.27	Public service	475	\$1,094,443	\$133
8-10.30	Historic commercial real property dedicated for preservation	11	\$30,767	\$382
8-10.32	Kuleana land	51	\$46,331	\$226
8-10.33	For-profit child care centers	11	\$28,450	\$353
8-10.34	Central Kakaako industrial zone limited development	92	\$86,112	\$1,068
<b>Subtotal (Taxable)</b>		<b>157,286</b>	<b>\$31,234,021</b>	<b>\$151,008</b>



# Tax Credit Programs

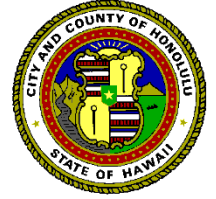




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## ***Tax Credit Programs***

- ❖ County Tax Credit
  - ❖ ROH Article 8-13
  - ❖ Provides tax relief based on income
  - ❖ Property owners must apply annually
- ❖ Tax Credit for Septic Tank to Replace Household Cesspool
  - ❖ ROH Article 8-16
  - ❖ Provides a tax credit of up to 50% of the total cost of the septic tank and disposal system
  - ❖ Seven (7) property owners have received a tax credit under this program since its inception on February 9, 2005

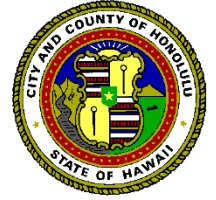


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# ***County Tax Credit Program***

***(ROH 8-13)***

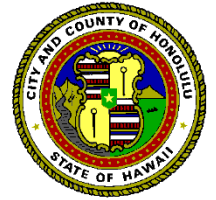
- ❖ Amount of the tax credit
  - ❖ Difference between the assessed real property tax and 3% percent of their income (\$60,000 limit)
- ❖ Taxpayers must apply by September 30 for a credit on their subsequent year's taxes
  - ❖ Example: Apply by September 30, 2019 for a credit on their July 1, 2020 to June 30, 2021 tax bill



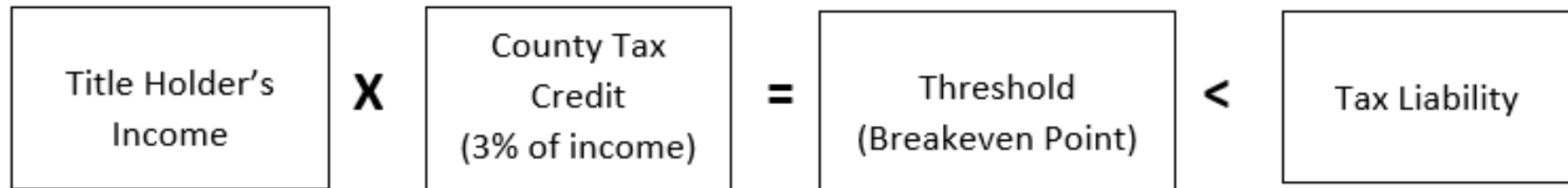
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## ***Exemptions and Dedications Difference to Tax Credits***

- ❖ Exemptions and Dedications
  - ❖ Applied before taxes are computed
  - ❖ Once granted, continues until canceled
  - ❖ Change in ownership does not create a collection problem
- ❖ Tax Credits
  - ❖ Applied after taxes are computed
  - ❖ Must apply annually
  - ❖ Change in ownership may create a collection problem

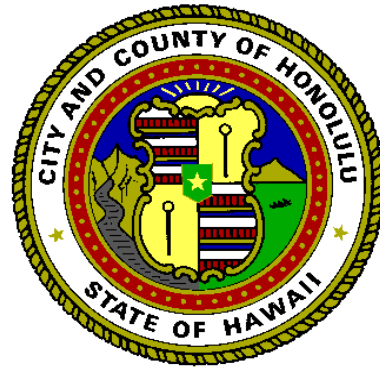


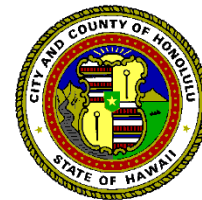
## *County Tax Credit Formula*



- ❖ Tax liability not known at the time of application
  - ❖ Applications due September 30
  - ❖ Tax liability computed the following June
- ❖ Taxpayers may qualify for the tax credit but not benefit with a credit to their taxes
- ❖ Tax credit would only be granted if the threshold is less than the taxes owed

# Real Property Legislation





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## ***City and County of Honolulu Proposed Real Property Legislation***

Bill	Description	2019 Status
69 (2018)	Create vacant residential class	Passed 1st reading Sep 2018
23 (2019)	Exemption for Chinatown properties purchased from the City	Passed 1st reading May 2019
30 (2019)	Exemption for properties relating to cold seawater-based district cooling system	Passed 2 <sup>nd</sup> reading June 2019
33 (2019)	Amend home exemption	Passed 2 <sup>nd</sup> reading June 2019

## ***2019 State of Hawaii Legislation***

ACT 267 - SB1394 became law: Income tax credit relating to historic properties

# Mahalo

